USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 5/30/2008

GAIN Report Number: CA8036

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 15

2008

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Report Highlights:
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Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA SIGNS FTA WITH PERU: On May 29, 2008 Canada and Peru signed the Canada-Peru Free Trade Agreement (FTA). This is the second FTA signed by Canada in 2008 and Canada's fourth FTA with countries of the Americas. Bilateral agreements were also signed with Peru dealing with Labor Cooperation and the Environment. In line with its Policy on Tabling of Treaties in Parliament, the GOC will table the agreements in the House of Commons for a period of 21 sitting days. Following this 21-day review, it will introduce legislation to implement the treaties, aiming for the agreements to enter into force by January 1, 2009. Immediately on implementation of the FTA, Peru will eliminate tariffs on 95 percent of current Canadian exports, with the remaining tariffs to be eliminated over a five- to ten-year period. Products that will enjoy immediate duty-free access to Peru include wheat, barley, peas and lentils, and selected boneless beef cuts, as well as a variety of paper products, machinery and equipment. Canada will immediately eliminate 97 percent of its tariffs on Peruvian imports. The rest will be eliminated over a three- or seven-year period, with the exception of over-quota tariffs on dairy, poultry, eggs and refined sugar, which are excluded from tariff reductions. For refined sugar, a tariff-rate quota will apply. According to Foreign Affairs and International Trade Canada, two-way merchandise trade between Canada and Peru totaled $2.45 billion during 2007. The accumulated stock of Canadian investment in Peru was estimated at almost $1.8 billion. *Post Comment: According to official trade data, Canada/Peru bilateral agricultural trade reached $173 million in 2007. Of $113 million in total Peruvian agricultural exports to Canada that year, sales of asparagus, fish meal, coffee, fish oil, mangoes, and frozen fish were the leaders. Exports of wheat, durum wheat, and dry peas and lentils dominated the $50 million in Canadian agricultural exports to Peru last year.*

CROP RECEIPTS BOOSTED NET FARM INCOME LAST YEAR: Statistics Canada reports the realized net income (the difference between farmer's cash receipts and operating expenses, minus depreciation, plus income in kind) more than doubled from C$771 million in 2006 to C$1.7 billion in 2007. Crop receipts were the biggest contributor. They jumped 24.8%, the largest annual increase in 13 years. Livestock receipts edged up 2.2% to $18.2 billion as higher dairy and poultry revenues more than offset declines in hog and cattle producer revenues. The Agency said that grain and oilseed prices have been increasing since the fall of 2006, boosted by growing food demand in large, emerging economies of Asia and expansion in the biofuel sector. Supply-managed commodities (dairy, poultry and eggs) experienced an 8.5% jump in revenues, the largest percentage increase in over 20 years. This occurred as prices rose to help cover mounting production costs. Receipts for cattle and hog producers were adversely affected by the combination of reduced prices resulting from the appreciation of the Canadian dollar and higher feed costs. With more animals shipped to the United States for cheaper feeding, domestic slaughter declined in 2007. Producers faced an 8.2% jump in farm operating expenses in 2007 as feed and fertilizer prices soared. This rate of growth, the fastest since 1981, pushed farm operating expenses to C$34.2 billion, 14.0% above the previous five-year average. Provincially, only farmers in Quebec and the Prairie provinces recorded net income gains. In British Columbia, Ontario and the Atlantic provinces, realized net income dropped to extremely low levels. This diversity was largely due to the wide range of crops and livestock produced across Canada.

FIRST QUARTER FARM CASH RECEIPTS SOAR TO NEW RECORD ON GRAIN AND OILSEED PRICES: Farm cash receipts for farmers hit a record high C$11.1 billion in the first quarter of 2008, boosted primarily by a surge in grain and oilseed prices while cattle and hog farmer's returns were squeezed by a combination of lower prices, higher feed costs, and the effects of a higher Canadian dollar. Statistics Canada data showed that cash receipts from crop sales in the January-March period of 2008 reached C$5.4 billion, up 38.5% over the first quarter of 2007 and 59.1% higher than the previous five-year average between 2003 and 2007. The agency said the driving force behind this increase was higher grain and oilseed prices brought on by strong demand and tighter supplies. Livestock receipts decreased 6.4% to $4.4 billion, largely the result of lower prices for hogs, cattle and calves. Prices received by hog producers fell close to 30% compared with the first quarter of 2007. In contrast, dairy and poultry receipts increased. Payments from government programs amounted to C$1.3 billion in the first quarter of 2008, down 2.7% from the same quarter last year, and 8.5% below the previous five-year average for a first quarter. This decline was due in part to improved prices in the grains and oilseeds sector.

CANADIAN DIETARY TRENDS GOOD NEWS FOR U.S. PRODUCE AND OTHER AGRICULTURAL PRODUCT EXPORTERS: Statistics Canada (SC) released the 2007 data on food available for consumption showing that Canadian food preferences continue to change and that much of the report is good news for U.S. agricultural exports to Canada, especially fresh and processed horticultural exporters. According to the Agency, the Canadian diet includes more fresh fruits, yogurts, cheeses, creams, red meats, exotic juices, low fat milk, wine and spirits. Canadians also prefer less cereal and sugar, and fewer oils, fats and eggs in their diet. Total fresh fruits available, including citrus, set a new record in 2007, reaching 38.2 kilograms (kg) per person. The popularity of guavas and mangoes has increased 88% from a decade ago. The Canadian diet includes 37.7% more processed fruits than 20 years ago. *Post Comment: In value terms, the Canadian import market for edible fruits and nuts reached $3.0 billion during 2007, an increase of nearly 15% over the 2006 level. The U.S. share of the import market for fresh fruit and nuts is relatively steady at 51% although in recent years Mexico, China, and Central & South America have been increasing fruit shipments to this growing market.* Compared with 20 years ago, Canadians now have 10.9% more vegetables, excluding potatoes, in their diet; four times more garlic; more than twice as much asparagus and close to twice as many cucumbers. Exotic vegetables such as manioc, eggplant, kohlrabi and okra are also on the rise. *Post Comment: The U.S. remained the No. 1 supplier of Canadian fresh vegetable import needs capturing 70% (2007) of an import market that that exceeds $2.0 billion annually and is registering an annual average growth rate of 8 percent. However, increased competition from fresh vegetable imports from Mexico and China has shaved 10% off the U.S. import market share in the past ten years.* The use of standard and 2% milk has declined and has been replaced partly by an increase of 1% and skim milk in the diet. However, Canadians are eating more fat from cheese and cream products. On average, they had 6.2 liters of cream and 10.1 kg of cheeses in 2007. In 2007, Canadians on average had 24.5 kg of red meats, which include beef, pork, mutton and veal; an increase of 0.7 kg from the previous year. The popularity of wine in 2007 climbed to a new record at 14.6 liters per person for Canadians aged 15 years and older. This represents an increase of almost 46% compared with a decade ago. On the other hand, beer levels have remained fairly stable over the same period. *Post Comment: The U.S. is Canada's fourth most important supplier of imported grape wines. In 2007, U.S. wine exports to Canada reached a record $196 million, an increase of almost 25% from the year earlier, and the largest year-to-year increase among the important wine suppliers to the Canadian market.* SC says its estimates on food availability are adjusted to account for losses in cooking, storage and waste that occur from homes, restaurants and institutions while preparing and processing food.

PROPOSED AMENDMENTS TO CWB ACT INCLUDES PRODUCTION CRITERION: The government of Canada introduced additional amendments to the Canadian Wheat Board Act into the House of Commons on May 27th in the form of Bill C-57. The stated purpose of Bill C-57 is to clarify and delimit who can participate in director elections to the Canadian Wheat Board (CWB) board of directors. Current practice is if producers have permit books for their wheat and barley deliveries, they are eligible to participate in the elections. The problem with using permit books is that many producers who are named in a permit book have retired, rent out their land, or only grow small amounts of grain as a hobby. Bill C-57 seeks to limit eligibility to participation in the director elections through a production criterion. A production criterion would require a farmer to have produced at least 120 tonnes of grain in either of the last two crop years. The definition of "grain" includes wheat, barley, oats, rye, canola, and flax. In terms of area harvested, this equates to, on average, 160 acres or ¼ section. Industry reaction to this announcement has been mixed. Some groups are viewing these newest proposed amendments with suspicion, and others see this as a good way of ensuring that the more business oriented farmers (versus absentee landlords or hobby farmers) are given greater control to direct the industry in the direction they need it to go. The Canadian Wheat Board has not yet made a comment on this newest amendment, stating that they need time to consider what impact this production criterion will have. Some producer groups such as Friends of the Canadian Wheat Board see this as a move designed to stack the deck in the hopes of ending up with a membership that is willing to put more anti-CWB-monopoly directors on the board. Other producer groups such as the Western Barley Growers Association, which would like to see the CWB monopoly ended, are in favor of this amendment.

NEW OUTLOOK NUMBERS RELEASED BY AGRICULTURE CANADA: On May 27th, Agriculture Canada Market Analysis Team released its newest grain, feed, special crops and oilseeds outlook numbers. For 2008/2009, total production of barley, corn and oats is forecasted to decrease by 13% from year 2007/2008 production levels. Total production of barley corn and oats is forecast at 23,700 TMT, down from year 2006/2007 production levels of 27,329 TMT. This decline is due to competition from higher revenue generating crops such as wheat and oilseeds. For 2008/2009, wheat production levels are forecast to increase 24%, jumping to 24,800 TMT from the previous year's level of 20,054 TMT. In pulse production, pea production is forecast to increase significantly in response to high prices and strong world demand. The forecasts from Agriculture Canada's Market Analysis team are available on the following website: http://www.agr.gc.ca/pol/mad-dam/index_e.php?s1=pubs&s2=go-co.

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